

**TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE**

**FOR THE YEARS ENDED
JUNE 30, 1995, AND JUNE 30, 1994**

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July 8, 1996

The Honorable Don Sundquist, Governor

and

Members of the General Assembly

State Capitol

Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor

Tennessee Board of Regents

1415 Murfreesboro Road, Suite 350

Nashville, Tennessee 37217

and

Dr. Owen F. Cargol, President

Cleveland State Community College

P.O. Box 3570

Cleveland, Tennessee 37320

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Cleveland State Community College, for the years ended June 30, 1995, and June 30, 1994. You will note from the independent auditor's report that a qualified opinion was given on the fairness of the presentation of the financial statements. The college has elected not to record the liability for accrued compensated absences in its financial statements. In our opinion, accrued compensated absences should be recorded to conform with generally accepted accounting principles.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass

Comptroller of the Treasury

WRS/cr

96/102

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Cleveland State Community College
For the Years Ended June 30, 1995, and June 30, 1994

AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control structure; to determine compliance with laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is qualified because of the omission of the liability for accrued compensated absences from the financial statements.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

AUDIT REPORT
TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

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TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Cleveland State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college’s internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with laws, regulations, contracts, and grants;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE AUDIT

The audit was limited to the period July 1, 1993, through June 30, 1995, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1995, and June 30, 1994. Cleveland State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

BACKGROUND AND ORGANIZATION

BACKGROUND

In 1957 the state legislature ordered a study of the establishment of community college programs. Acting on the recommendation of the Governor and the State Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. On June 22, 1965, the State Board of Education approved Cleveland State Community College as one of Tennessee's first community colleges. In June 1968, the college graduated its first class. The General Assembly vested the governance of Cleveland State Community College in the Tennessee Board of Regents on July 1, 1972.

ORGANIZATION

The governance of Cleveland State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the college's financial statements for the years ended June 30, 1995, and June 30, 1994, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is

on the following pages. Consideration of the internal control structure disclosed no material weaknesses.

Compliance with Laws and Regulations

With respect to the items tested, the college complied with the provisions of laws, regulations, contracts, and grants that may have a material effect on the college's financial statements. The compliance report follows the report on the internal control structure.

Fairness of Financial Statement Presentation

The college has elected not to accrue the liability for compensated absences. Since this accounting practice is contrary to generally accepted accounting principles, the Division of State Audit has rendered a qualified opinion on the college's financial statements. The independent auditor's report follows the compliance report.

**Report on the Internal Control Structure
Based on an Audit of the Financial Statements
Performed in Accordance With
*Government Auditing Standards***

May 16, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Cleveland State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1995, and June 30, 1994, and have issued our report thereon dated May 16, 1996. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The college's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

The Honorable W. R. Snodgrass
May 16, 1996
Page Two

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the college's financial statements for the years ended June 30, 1995, and June 30, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

**Compliance Report Based on an Audit of the
Financial Statements Performed in Accordance
With *Government Auditing Standards***

May 16, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Cleveland State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1995, and June 30, 1994, and have issued our report thereon dated May 16, 1996. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the college is the responsibility of the college's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The Honorable W. R. Snodgrass
May 16, 1996
Page Two

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

We did, however, note certain immaterial instances of noncompliance that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

Independent Auditor's Report

May 16, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of Cleveland State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1995, and June 30, 1994, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the college has excluded the liability for accrued compensated absences from the accompanying balance sheets. In our opinion, accrued compensated absences should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of not including the liability for accrued compensated absences in the accompanying balance sheets, as discussed in the preceding paragraph, the

The Honorable W. R. Snodgrass
May 16, 1996
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Cleveland State Community College, as of June 30, 1995, and June 30, 1994, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

In accordance with generally accepted government auditing standards, we have also issued reports dated May 16, 1996, on our consideration of the college's internal control structure and on its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/cr

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1995, AND JUNE 30, 1994

	June 30, 1995	June 30, 1994		June 30, 1995	June 30, 1994
ASSETS			LIABILITIES AND FUND BALANCES		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 3 and 4)	\$ 971,457.54	\$ 1,000,734.94	Liabilities:		
Accounts receivable (net of allowance of \$7,958.20 at June 30, 1995, and \$7,864.44 at June 30, 1994)	34,376.29	44,020.64	Accounts payable	\$ 101,154.16	\$ 62,250.40
Inventories (Note 5)	19,523.82	14,671.34	Accrued liabilities	255,402.81	248,744.27
Prepaid expenses and deferred charges	92,665.56	16,481.53	Deferred revenue	198,128.75	226,305.45
Due from restricted current funds	144,262.22	203,948.14	Total liabilities	554,685.72	537,300.12
Due from agency funds	16,499.20	3,652.44			
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital (Note 6)	4,662.84	-
			Allocation for encumbrances	159,606.11	290,593.85
			Discretionary allocations:		
			Allocation for subsequent budget	410,000.00	300,000.00
			Allocation for athletics	2,234.04	2,322.86
			Allocation for student activity fees	2,738.48	12,040.59
			Unallocated	144,857.44	141,251.61
			Total fund balances	724,098.91	746,208.91
Total general	1,278,784.63	1,283,509.03	Total general	1,278,784.63	1,283,509.03
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 3 and 4)	502,858.07	419,826.52	Liabilities:		
Accounts receivable	8,856.16	7,652.96	Accounts payable	-	121.57
Inventories (Note 5)	1,240.42	781.58			
			Fund balances:		
			Nondiscretionary allocation:		
			Allocation for working capital (Note 6)	10,096.58	8,434.54
			Discretionary allocations:		
			Allocation for contingencies	6,157.32	5,966.85
			Allocation for repurchase of bookstore inventory	325,000.00	325,000.00
			Unallocated	171,700.75	88,738.10
			Total fund balances	512,954.65	428,139.49
Total auxiliary enterprises	512,954.65	428,261.06	Total auxiliary enterprises	512,954.65	428,261.06
Total unrestricted	1,791,739.28	1,711,770.09	Total unrestricted	1,791,739.28	1,711,770.09
Restricted:			Restricted:		
Cash (Notes 3 and 4)	110,147.67	73,963.90	Liabilities:		
Accounts and grants receivable	157,095.96	235,083.17	Accounts payable	27,948.40	35,410.40
			Due to unrestricted current funds	144,262.22	203,948.14
			Total liabilities	172,210.62	239,358.54
			Fund balance	95,033.01	69,688.53
Total restricted	267,243.63	309,047.07	Total restricted	267,243.63	309,047.07
Total current funds	\$ 2,058,982.91	\$ 2,020,817.16	Total current funds	\$ 2,058,982.91	\$ 2,020,817.16
Loan funds:			Loan funds:		
Cash (Notes 3 and 4)	\$ 8,538.10	\$ 1,857.74	Fund balances:		
Notes receivable (net of allowance of \$11,899.50 at June 30, 1995, and \$23,195.12 at June 30, 1994)	13,073.84	23,430.08	U.S. government grants refundable	\$ 21,742.80	\$ 27,787.93
Accrued interest receivable	2,546.73	5,587.66	Institutional:		
			Restricted - matching	2,415.87	3,087.55
Total loan funds	\$ 24,158.67	\$ 30,875.48	Total loan funds	\$ 24,158.67	\$ 30,875.48

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1995, AND JUNE 30, 1994

	June 30, 1995	June 30, 1994		June 30, 1995	June 30, 1994
ASSETS			LIABILITIES AND FUND BALANCES		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 3 and 4)	\$ 501,999.95	\$ 614,749.55	Fund balance:		
Accounts receivable	115,837.55	-	Unrestricted (Note 8)	\$ 617,837.50	\$ 614,749.55
Total unexpended plant	617,837.50	614,749.55	Total unexpended plant	617,837.50	614,749.55
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 3 and 4)	808,542.68	750,466.99	Fund balance:		
Total renewals and replacements	808,542.68	750,466.99	Unrestricted	808,542.68	750,466.99
Investment in plant (Note 7):			Total renewals and replacements	808,542.68	750,466.99
Land	135,130.50	145,130.50	Investment in plant:		
Buildings	8,672,513.48	8,519,587.61	Fund balance:		
Improvements other than buildings	943,730.96	916,835.88	Net investment in plant	17,741,226.35	17,332,982.50
Equipment	4,711,686.41	4,546,456.51	Total investment in plant	17,741,226.35	17,332,982.50
Library books	1,251,560.00	1,221,840.00	Total plant funds	\$ 19,167,606.53	\$ 18,698,199.04
Other library holdings	2,026,605.00	1,983,132.00			
Total investment in plant	17,741,226.35	17,332,982.50	Agency funds:		
Total plant funds	\$ 19,167,606.53	\$ 18,698,199.04	Liabilities:		
Agency funds:			Deposits held in custody for others	\$ 162,060.59	\$ 149,328.03
Cash (Notes 3 and 4)	\$ 178,559.79	\$ 152,980.47	Due to unrestricted current funds	16,499.20	3,652.44
Total agency funds	\$ 178,559.79	\$ 152,980.47	Total agency funds	\$ 178,559.79	\$ 152,980.47

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds			Plant Funds		
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current fund revenues	\$ 10,682,729.39	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	123,146.48	-	-	-	-	-
State appropriations	-	45,000.00	-	-	-	-
Federal grants and contracts	-	3,667,480.31	-	-	-	-
State grants and contracts	-	115,828.01	-	-	-	-
Private gifts, grants, and contracts	-	34,721.42	-	-	-	-
Investment income	-	-	282.36	26,565.85	41,518.33	-
Interest on loans receivable	-	-	1,710.43	-	-	-
Reduction in doubtful accounts	-	-	11,295.62	-	-	-
Proceeds from house sale	-	-	-	115,837.55	-	-
Equipment use charges (Note 7)	-	-	-	-	10,500.00	-
Expended for plant facilities (including \$422,546.81 charged to current fund expenditures)	-	-	-	-	-	647,762.26
Library holdings revaluation (Note 7)	-	-	-	-	-	13,298.85
Other	-	-	1,173.55	-	-	-
Total revenues and other additions	10,805,875.87	3,863,029.74	14,461.96	142,403.40	52,018.33	661,061.11
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	10,618,939.39	3,736,869.40	-	-	-	-
Auxiliary enterprise expenditures	32,273.96	-	-	-	-	-
Indirect costs recovered	-	100,766.02	-	-	-	-
Refunded to grantors	-	49.84	-	-	-	-
Loan cancellations and write-offs	-	-	20,951.05	-	-	-
Administrative and collection costs	-	-	227.72	-	-	-
Expended for plant facilities	-	-	-	225,215.45	-	-
Disposal of plant facilities	-	-	-	-	-	252,817.26
Total expenditures and other deductions	10,651,213.35	3,837,685.26	21,178.77	225,215.45	-	252,817.26

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds			Plant Funds		
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Investment In Plant
<u>TRANSFERS AMONG FUNDS - ADDITIONS</u>						
<u>(DEDUCTIONS)</u>						
Nonmandatory:						
Unexpended plant	(85,900.00)	-	-	85,900.00	-	-
Renewals and replacements	<u>(6,057.36)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,057.36</u>	<u>-</u>
Total transfers	<u>(91,957.36)</u>	<u>-</u>	<u>-</u>	<u>85,900.00</u>	<u>6,057.36</u>	<u>-</u>
Net increases (decreases) for the year	62,705.16	25,344.48	(6,716.81)	3,087.95	58,075.69	408,243.85
Fund balances at beginning of year	<u>1,174,348.40</u>	<u>69,688.53</u>	<u>30,875.48</u>	<u>614,749.55</u>	<u>750,466.99</u>	<u>17,332,982.50</u>
Fund balances at end of year	\$ <u><u>1,237,053.56</u></u>	\$ <u><u>95,033.01</u></u>	\$ <u><u>24,158.67</u></u>	\$ <u><u>617,837.50</u></u>	\$ <u><u>808,542.68</u></u>	\$ <u><u>17,741,226.35</u></u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1994

	<u>Current Funds</u>			<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loan Funds</u>	<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Investment In Plant</u>
<u>REVENUES AND OTHER ADDITIONS</u>						
Unrestricted current fund revenues	\$ 10,211,708.04	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	119,336.96	-	-	-	-	-
State appropriations	-	44,500.00	-	-	-	-
Federal grants and contracts	-	4,487,257.10	-	-	-	-
State grants and contracts	-	145,817.19	-	-	-	-
Private gifts, grants, and contracts	-	8,881.94	-	-	-	-
Investment income	-	-	170.97	12,199.98	24,147.34	-
Interest on loans receivable	-	-	2,268.81	-	-	-
Equipment use charges (Note 7)	-	-	-	-	10,500.00	-
Expended for plant facilities (including \$484,538.48 charged to current fund expenditures)	-	-	-	-	-	485,790.99
Library holdings revaluation (Note 7)	-	-	-	-	-	182,688.22
Other	-	-	167.82	-	-	-
Total revenues and other additions	<u>10,331,045.00</u>	<u>4,686,456.23</u>	<u>2,607.60</u>	<u>12,199.98</u>	<u>34,647.34</u>	<u>668,479.21</u>
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>						
Educational and general expenditures	10,127,851.55	4,552,108.98	-	-	-	-
Auxiliary enterprise expenditures	29,608.67	-	-	-	-	-
Indirect costs recovered	-	98,547.04	-	-	-	-
Refunded to grantors	-	133,451.16	8,820.00	-	-	-
Administrative and collection costs	-	-	638.35	-	-	-
Provision for doubtful accounts	-	-	832.35	-	-	-
Expended for plant facilities	-	-	-	1,252.51	-	-
Expended for noncapital items	-	-	-	1,267.50	-	-
Disposal of plant facilities	-	-	-	-	-	78,267.00
Total expenditures and other deductions	<u>10,157,460.22</u>	<u>4,784,107.18</u>	<u>10,290.70</u>	<u>2,520.01</u>	<u>-</u>	<u>78,267.00</u>

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1994

	<u>Current Funds</u>			<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loan Funds</u>	<u>Unexpended</u>	<u>Renewals and Replacements</u>	<u>Investment In Plant</u>
<u>TRANSFERS AMONG FUNDS - ADDITIONS</u>						
<u>(DEDUCTIONS)</u>						
Nonmandatory:						
Unrestricted current funds	980.00	-	(980.00)	-	-	-
Unexpended plant	(244,000.00)	-	-	244,000.00	-	-
Renewals and replacements	(5,902.57)	-	-	-	5,902.57	-
Total transfers	(248,922.57)	-	(980.00)	244,000.00	5,902.57	-
Net increases (decreases) for the year	(75,337.79)	(97,650.95)	(8,663.10)	253,679.97	40,549.91	590,212.21
Fund balances at beginning of year	1,249,686.19	167,339.48	39,538.58	361,069.58	709,917.08	16,742,770.29
Fund balances at end of year	\$ <u>1,174,348.40</u>	\$ <u>69,688.53</u>	\$ <u>30,875.48</u>	\$ <u>614,749.55</u>	\$ <u>750,466.99</u>	\$ <u>17,332,982.50</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1995

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 2,334,303.21	\$ -	\$ 2,334,303.21
State appropriations	7,928,600.00	42,820.61	7,971,420.61
Federal grants and contracts	109,461.42	3,547,109.20	3,656,570.62
State grants and contracts	-	116,220.06	116,220.06
Private gifts, grants, and contracts	11,166.40	30,719.53	41,885.93
Sales and services of educational activities	113,338.58	-	113,338.58
Sales and services of auxiliary enterprises	123,146.48	-	123,146.48
Other sources	185,859.78	-	185,859.78
Total current revenues	<u>10,805,875.87</u>	<u>3,736,869.40</u>	<u>14,542,745.27</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general expenditures:			
Instruction	5,717,251.77	284,544.97	6,001,796.74
Public service	62,286.30	2,175,576.86	2,237,863.16
Academic support	602,887.95	7,279.26	610,167.21
Student services	1,501,788.31	231,602.42	1,733,390.73
Institutional support	1,326,883.83	-	1,326,883.83
Operation and maintenance of plant	1,298,876.09	-	1,298,876.09
Scholarships and fellowships	108,965.14	1,037,865.89	1,146,831.03
Total educational and general expenditures	<u>10,618,939.39</u>	<u>3,736,869.40</u>	<u>14,355,808.79</u>
Nonmandatory transfer for:			
Unexpended plant	<u>85,900.00</u>	<u>-</u>	<u>85,900.00</u>
Total educational and general expenditures and transfer	<u>10,704,839.39</u>	<u>3,736,869.40</u>	<u>14,441,708.79</u>
Auxiliary enterprises:			
Expenditures	32,273.96	-	32,273.96
Nonmandatory transfer for:			
Renewals and replacements	<u>6,057.36</u>	<u>-</u>	<u>6,057.36</u>
Total auxiliary enterprises	<u>38,331.32</u>	<u>-</u>	<u>38,331.32</u>
Total expenditures and transfers	<u>10,743,170.71</u>	<u>3,736,869.40</u>	<u>14,480,040.11</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues	-	126,160.34	126,160.34
Indirect costs recovered	-	(100,766.02)	(100,766.02)
Refunded to grantors	-	(49.84)	(49.84)
Net increases in fund balances	<u>\$ 62,705.16</u>	<u>\$ 25,344.48</u>	<u>\$ 88,049.64</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1994

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	\$ 2,406,719.38	\$ -	\$ 2,406,719.38
State appropriations	7,425,800.00	51,321.34	7,477,121.34
Federal grants and contracts	107,102.04	4,346,770.57	4,453,872.61
State grants and contracts	45.82	145,893.71	145,939.53
Private gifts, grants, and contracts	10,840.00	8,123.36	18,963.36
Sales and services of educational activities	117,775.97	-	117,775.97
Sales and services of auxiliary enterprises	119,336.96	-	119,336.96
Other sources	143,424.83	-	143,424.83
Total current revenues	<u>10,331,045.00</u>	<u>4,552,108.98</u>	<u>14,883,153.98</u>
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instruction	5,422,127.54	516,240.07	5,938,367.61
Public service	48,133.91	2,647,528.22	2,695,662.13
Academic support	586,286.65	13,444.27	599,730.92
Student services	1,378,295.62	203,845.52	1,582,141.14
Institutional support	1,370,428.77	1,455.00	1,371,883.77
Operation and maintenance of plant	1,214,756.19	-	1,214,756.19
Scholarships and fellowships	<u>107,822.87</u>	<u>1,169,595.90</u>	<u>1,277,418.77</u>
Total educational and general expenditures	10,127,851.55	4,552,108.98	14,679,960.53
Nonmandatory transfer for:			
Unexpended plant	<u>244,000.00</u>	<u>-</u>	<u>244,000.00</u>
Total educational and general expenditures and transfer	<u>10,371,851.55</u>	<u>4,552,108.98</u>	<u>14,923,960.53</u>
Auxiliary enterprises:			
Expenditures	29,608.67	-	29,608.67
Nonmandatory transfer for:			
Renewals and replacements	<u>5,902.57</u>	<u>-</u>	<u>5,902.57</u>
Total auxiliary enterprises	<u>35,511.24</u>	<u>-</u>	<u>35,511.24</u>
Total expenditures and transfers	<u>10,407,362.79</u>	<u>4,552,108.98</u>	<u>14,959,471.77</u>
OTHER TRANSFER AND ADDITION (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	134,347.25	134,347.25
Indirect costs recovered	-	(98,547.04)	(98,547.04)
Refunded to grantors	-	(133,451.16)	(133,451.16)
Nonmandatory transfer from loan funds	<u>980.00</u>	<u>-</u>	<u>980.00</u>
Net decreases in fund balances	<u>\$ (75,337.79)</u>	<u>\$ (97,650.95)</u>	<u>\$ (172,988.74)</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1995, AND JUNE 30, 1994

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The college is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of its governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

BASIS OF PRESENTATION

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The college uses the AICPA College Guide model for accounting and financial reporting.

BASIS OF ACCOUNTING

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

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CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

FUND ACCOUNTING

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from receivables and the like is accounted for in the fund owning such assets.

All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the cafeteria, the bookstore, and vending. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

Loan Funds

Loan funds consist of resources made available for student loans.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes, (2) funds set aside for the renewal and replacement of institutional properties, and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

NOTE 2. COMPENSATED ABSENCES

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. Generally accepted accounting principles require that certain accrued compensated absences, the effects of which are material to the financial statements, be recorded as earned. The college's policy is to record such benefits as paid. The recognition of this liability for accrued compensated absences and related benefits would have increased the liabilities of the unrestricted current fund by \$452,714.64 at June 30, 1995, and \$439,648.92 at June 30, 1994, and increased the unrestricted current fund expenditures by \$13,065.72 for the year ended June 30, 1995, and \$67,226.09 for the year ended June 30, 1994.

NOTE 3. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 1995, cash consisted of \$42,546.86 in bank accounts, \$1,940.00 of petty cash on hand, and \$3,037,616.94 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1994, cash consisted of \$213,507.65 in bank accounts, \$1,940.00 of petty cash on hand, and \$2,799,132.46 in the State of Tennessee Local Government Investment Pool.

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CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

NOTE 4. DEPOSITS

At June 30, 1995, and June 30, 1994, the bank balances of deposits including accrued interest were entirely insured or collateralized with securities held by the college's agent in the college's name. Deposits were undercollateralized by \$8,400.78 from August 20 to August 23, 1993.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

NOTE 5. INVENTORIES

Inventories are valued at cost. All items are recorded on a first-in, first-out basis.

NOTE 6. ALLOCATION FOR WORKING CAPITAL

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

NOTE 7. PLANT ASSETS

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books are valued at \$20 per volume, and other library holdings are valued at various standardized values. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

service delivery area 5 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

NOTE 8. PLANT FUND ENCUMBRANCES

There were no plant fund encumbrances outstanding at June 30, 1995. Plant fund encumbrances outstanding at June 30, 1994, amounted to \$177,195 for unexpended plant.

NOTE 9. PENSION PLANS

Defined Benefit Plan

All the college's regular employees may participate in a cost-sharing multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The payroll for employees covered by the TCRS plan was \$5,757,239.08 for the year ended June 30, 1995, and \$5,506,823.18 for the year ended June 30, 1994. The college's total payroll was \$7,592,297.59 for the year ended June 30, 1995, and \$7,185,126.13 for the year ended June 30, 1994.

TCRS members may retire at age 60 with five years of service or at any age with 30 years' service. Early retirement with reduced benefits is available to vested members who are at least age 55 or have 25 years of service. TCRS benefits are based on the number of years of creditable service and highest average salary for five consecutive years. Members attain vesting rights after five years of service. The TCRS also provides death and disability benefits. Benefits are established by state statute.

The college is required by state statute, effective July 1, 1981, to contribute the amounts necessary to pay benefits when due. Prior to that date, the employee bore a portion of the contribution. Members with contributory service who leave the college are eligible for a refund of their contributions, along with contributions made after July 1, 1981, on the employees' behalf by the college. The actuarially required contribution made for the year ended June 30, 1995, was \$363,878.85, which represented 6.32% of the covered payroll, and for the year ended June 30, 1994, was \$367,854.99, which represented 6.68% of the covered payroll.

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CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the TCRS on a going-concern basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. The TCRS does not make separate measurements of assets and pension benefit obligation for individual state employers. Therefore, the following information is provided for the entire state employee portion of the TCRS. The pension benefit obligation at June 30, 1995, and at June 30, 1994, determined through an actuarial valuation performed as of June 30, 1995, was \$10,697.4 million and through an actuarial update performed as of June 30, 1994, was \$9,344.5 million. The net assets, at cost or amortized cost, available for benefits were \$11,566.8 million at June 30, 1995, and \$10,772.4 million at June 30, 1994, leaving assets in excess of pension benefit obligation of \$869.4 million at June 30, 1995, and \$1,427.9 million at June 30, 1994. The market value of the net assets available for benefits was \$12,552.1 million at June 30, 1995, and \$11,106.5 million at June 30, 1994. The college's 1995 and 1994 contributions represented .13% and .14% of total contributions required of all participating entities.

Ten-year historical trend information showing the progress of the TCRS in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1995, *Tennessee Consolidated Retirement System Comprehensive Annual Financial Report*.

Defined Contribution Plans

The college has three defined contribution plans offered through the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are available only to eligible faculty and staff exempt from the overtime provision of the Fair Labor Standards Act. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. State statute requires the college to contribute an amount equal to 10% of the employee's base salary below the social security wage base and 11% above the social security wage base. Members are fully vested upon entry into the plans.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

The payroll for employees covered by the defined contribution plans was \$1,284,819.48 for the year ended June 30, 1995, and \$1,080,945.64 for the year ended June 30, 1994. The college's total payroll was \$7,592,297.59 for the year ended June 30, 1995, and \$7,185,126.13 for the year ended June 30, 1994. The required contribution made by the college for the year ended June 30, 1995, was \$129,355.76, which represented 10.07% of the covered payroll, and for the year ended June 30, 1994, was \$108,094.46, which represented 10% of the covered payroll.

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 11. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in the state's general fund to provide for any property losses other than the commercial insurance coverage.

At June 30, 1995, the scheduled coverage for the college was \$20,248,300 for buildings and \$8,122,000 for contents. At June 30, 1994, the scheduled coverage was \$20,419,200 for buildings and \$8,157,000 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$3,629,526.36 at June 30, 1995, and \$3,295,953.05 at June 30, 1994.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$33,500.00 and for personal property were \$47,119.58 for the year ended June 30, 1995. The amounts for the year ended June 30, 1994, were \$36,140.00 and \$47,824.32. All operating leases are cancelable at the lessee's option.

Questioned Costs - As of June 30, 1995, the college had not resolved \$529.75 of questioned costs resulting from prior audits. Final resolution of these questioned costs will be determined by the grantor.

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1995, AND JUNE 30, 1994

NOTE 13. AFFILIATED ENTITY NOT INCLUDED

The college is the sole beneficiary of the Cleveland State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are not handled by the college, and these amounts are not included in the college's financial statements. As reported in the foundation's most recently audited financial report, at June 30, 1995, the foundation's assets totaled \$2,235,931, and the fund balance amounted to \$2,235,931.